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REPORT OF THE 1959 DECIMAL CURRENCY COMMITTEE

1. DECIMAL CURRENCY

The Decimal Currency Committee was appointed by the Commonwealth Government in February, 1959, to investigate the advantages and disadvantages of a decimal currency, and, if a decimal currency was favoured, the unit of account and denominations of subsidiary currency most appropriate for Australia, the method of introduction, and the cost involved. The Committee presented its report in August, 1960, and the summary of Conclusions and Recommendations contained therein is as follows.

"1. After examining the advantages and disadvantages of a decimal currency, and the evidence pointing to significant savings which would result, the Decimal Currency Committee is convinced that its adoption in Australia is desirable.

2. It is impossible to assess in money terms the savings which would result, but the Committee has no doubt that the savings in time and effort would outweigh the cost and inconvenience of the change.

3. Because of the uncertainty engendered in commerce and industry by the Committee's appointment and inquiry, and its consequent effect on the sale of office and other machines which would be affected by decimalisation, the Commonwealth Government is urged to announce its decision at the earliest practicable date.

4. After examining various decimal systems the Committee recommends the introduction of the 10s.- cent system as the most appropriate for Australia.

5. This system has many advantages over the only others considered practicable - the £-cent-fraction and 8s. 4d.- cent systems.

6. The evidence received on the unpopularity of the half-penny and the undesirability of fractional coins in a decimal system where these can be avoided, leads the Committee to recommend that no half-cent be provided; it is suggested that the half-penny should be utilised as a half-cent coin during the transition period, but that no further halfpence should be minted after the change-over date.

7. The Committee recommends the provision of the following subsidiary coins under a 10s.- cent decimal system:

Decimal coin	Present values
20 cents	2s.
10 cents	1s.
5 cents	6d.
1 cent	1.2d.

It is suggested that consideration be given to the minting of 50-cent (=5s.) and 2-cent (=2.4d.) coins, if and when a new range of decimal coins of smaller size than existing coins is minted.

8. An official conversion table should be included in the decimalisation legislation and copies of it distributed for the information of the public, showing the values of £ s. d. amounts from one halfpenny to one shilling in the new currency, and of decimal amounts from one half-cent to 10 cents in the old currency.

9. A preparatory period of approximately two years is regarded as necessary for the further investigations of many aspects of decimalisation which will be required, and to enable all sections of the community to make preparations for the change-over

10. The recommended official date of introduction of the new system is the second Monday in February, 1963.

11. The existing currency should remain the only official system prior to the change-over date, but during the transition period which follows that date the concurrent use of both old and new currencies should be permitted.

12. The transition period referred to is necessary to enable the conversions of £ s. d. monetary machines, and will be of approximately two years duration.

13. Because of the nature and extent of banks' operations and their strategic role in reform of this nature it is proposed that banks should commence to operate in decimal currency as from the change-over date.

14. For this purpose it is recommended that banks should be closed to the public on the Thursday, Friday and Saturday preceding the change-over date, so as to enable them to make the necessary internal adjustments, and have their machines converted.

15. It is recommended that all undertakings which trade with the public should prominently display copies of the official conversion table.

16. The Committee considers that the machine conversion programme should be an officially sponsored and directed one, if extraordinary disruption and inconvenience to government and business is to be avoided and the transition period kept within acceptable limits.

17. An authority should be established by the Commonwealth Government to take charge of the machine conversion programme and co-ordinate this with the many official arrangements which will need to be made.

18. The Committee recommends that machine conversion should be carried out on the basis of definite age limits, to be determined by the supervisory body, beyond which machines will not be included in the official conversion programme. Owners of such "over-age" machines will be free to have their machines converted or replaced, at their own choice, but will have to make their own arrangements for conversions.

19. Full conversion should, where practicable, be applied to machines included in the official conversion programme.

20. It is considered that relief machines will be needed to be provided to machine users while their own £ s. d. machines are being converted, and it is suggested that this should be arranged by each of the machine companies concerned with the actual conversion work.

21. The Committee recommends that priority in machine conversions should be accorded to bank machines, but sees no need for any other priorities in this regard.

22. The Committee considers that special procedures should be adopted for the conversion of banks' machines, so as to enable them to make the change to decimal operation over a four-day period. It is thought that a plan based on measures proposed in South Africa would be practicable here also, although some minor modifications are suggested.

23. The major burden of work connected with decimalisation will fall on the office machine and other companies which will have to carry out the conversion of machines. It is proposed that the supervisory body will work closely with these companies, settle the conversion charges made by them, as well as the age limits to be used in connexion with the official conversion programme, and supervise the operation generally.

24. The Committee recommends that restriction be placed upon the importation of £ s. d. machines, so as to avoid adding unnecessarily to the cost and time of the conversion programme, from the date of the announcement of intention to decimalise.

25. The Committee recommends that consideration be given by the Government to the placing of some limitations upon the importation of new decimal makes and models of machines so as to afford reasonable protection to companies carrying out conversion work.

26. The Committee provides estimates of the cost of the change-over insofar as monetary machines (excluding coin-operated machines) are concerned.

27. The estimates are given on the basis of assumptions and conditions (as set out in chapter V. of the Report of Decimal Currency Committee), and upon two different hypotheses, first being that all machines within the "economic lives" adopted would be converted, the second that machines within the higher limits of the lives adopted would be replaced the remainder converted.

28. The Committee also provides estimates of the additional cost involved in converting Bank's machines over the four-day bank closure period, under each of the hypothetical conversion conditions assumed.

29. The estimates for each of the hypotheses used, including the additional bank machine costs, are:-

	£
(a) Conversion Cost	29,672,000
Additional Bank Machine Cost	2,052,000
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Total Cost	31,724,000
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(b) Conversion Cost	26,755,000
Replacement Cost	2,147,000
Additional Bank Machine Cost	1,804,000

Total Cost

30,706,000

30. The Committee points out that the age limits adopted were not referred to all parties concerned and suggests some instances where revision may be required.

31. The Committee also draws the government's attention to the increased conversion costs which would result from postponement of the decision to decimalise, and provides estimates of the increased conversion costs which might be incurred for selected types of machines if the change-over took place in 1970.

32. The Committee points out that it has made no recommendation for reimbursement for costs incurred in the change-over, for the reason that the subject was not included in its terms of reference. Many organisations were, however, obviously disturbed over this aspect of decimalisation. The Committee thinks that the Government should be informed of this, and of the facts that costs will fall heavily and inequitably upon highly mechanised concerns, any of which would be hard pressed to meet the necessary expenditure.

33. It is suggested that, because South African conversion will precede adoption of the decimal currency in Australia the Commonwealth Government should, if it decides to make the change-over here, make every effort to benefit from the South African experience".

In July, 1961, the Commonwealth Government confirmed its support of decimal currency system, but considered it undesirable to make final decisions on the detailed arrangement which would be necessary to effect the change.

On 7th April, 1963, the Commonwealth Government announced that a system of decimal currency was to be introduced into Australia at the earliest practicable date, and gave February, 1966, as the tentative change-over date, subject to confirmation that all the necessary arrangements could be completed by that date so that the currency reform could be introduced with time minimum amount of inconvenience.

The new system would be based on a major unit equal to the present ten shillings. The minor unit of the new system would be one hundredth part of the major unit, and would be equal in value to 1 .2d. in the existing coinage system. No fractions of the minor unit would be introduced.

The Government also announced that it would pay reasonable compensation to owners of a large proportion of monetary machines which would require conversion in order to be used under the new decimal system. While the general principles on which the compensation would be paid had already been determined, a vast number of points of detail would have to be negotiated with the machine companies concerned, and this would be one of the principal duties of a statutory authority which would shortly be established to plan and administer preparations for the change-over. Legislation to set up this authority, and to provide for the new denomination of currency and other associated matters would be introduced in Parliament this year.

A Committee of Cabinet which had been appointed to consider all aspects of the decimal currency question would give its early attention to such questions as the establishment of the new statutory body and the determination of its functions and responsibilities, the name of the new major currency unit, the denominations of new banknotes and coins to be issued and the precise design, size and metallic content of the new coins (see below).

The Government emphasised that the tentative target of February, 1966, would depend to a large extent upon the completion on schedule of the new National Mint in Canberra since it would be

essential to have an adequate supply of the new decimal coins available for distribution to the public at the change-over date. The new mint was expected to be coming late in 1964, and this would allow full production of new coins for at least One year before February, 1966, supplemented if possible by assistance from the existing Melbourne and Perth Mints. The Melbourne and Perth Mints would, however, be primarily concerned with the production of the present coins, which would probably remain in circulation until late in 1967.

On 5th June, 1963, the Government announced that the major unit in the new Australian decimal currency system was to be called the "Royal ". The Royal, which would be a banknote, would consist of 100 " units each equivalent in value to 1 .2d. under the present £ s. d. system. Denominations up to the Royal were to be coins (the present values shown in parenthesis) of 50 cents (5s.), 20 cents (2s.), 10 cents (1s.), 5 cents (6d.), 2 cents (2.4d.) and 1 cent (1.2d.). The 50-cent coin would be known as the "Crown ". It would be of silver and would be slightly larger in diameter than the present penny. The 20-cent and 10-cent coins (to be known as "florins" and "shillings ") together with the 5-cent coin would be of cupro-nickel and would be indistinguishable in size and weight from the present form, shilling and sixpence respectively. The two-cent and one-cent coins would be of bronze, the two-cent coin having a diameter between those of the sixpence and shilling, and the one-cent coin a diameter smaller than the present sixpence.*

2. THE PRESENT AUSTRALIAN MONETARY SYSTEM

The Australian monetary system is based on the British system, of which the unit is the pound (£) divided into 20 shillings (s.) each of 12 pence (d.). When the Australian currency was introduced in 1909, the Australian pound was specified as equivalent to 123.27447 grains of gold ¹¹/₁₂ths fine or 113 .002 grains of fine gold and, until the depression in 1930, was identical with the pound sterling. There was a gradual depreciation of the Australian pound in terms of sterling from the beginning of 1930 until 3rd December, 1931, when it was stabilised at the rate of £125 Australian =£100 sterling. This relationship has been maintained until the present time. Following the depreciation, no action was taken to define the value of the Australian pound in terms of gold until 5th August, 1947, when the Australian Government advised the International Monetary Fund, in terms of the membership agreement, that the par value of the Australian pound was 2.86507 grammes (44.2148 grains) of fine gold. From 18th September 1949, this was reduced to 1.99062 grammes (30.720 grains) of fine gold.

When the Commonwealth was established in 1901, the currency in Australia consisted of United Kingdom gold, silver and bronze coins, notes issued by the banks, and Queensland Treasury notes. Queensland Treasury notes were in circulation in Queensland only having superseded bank notes in that State after the 1893 crisis. Under the Commonwealth Constitution, the control of currency, coinage and legal tender and the issue of paper money was vested in the Commonwealth. The Commonwealth assumed these powers by the Coinage Act 1909 and the **Australian Notes Act 1910**.

*On 18th September 1963, it was announced that the new major unit would be called the "Dollar" and not the "Royal", and that the dollar and the cent would be the only units with specified names.

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